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Tsakos Group: Charting a fresh course

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Panayotis Tsakos started his career as an cadet officer aboard the "Liberty" ships transferred to Greece by the US and became founder of the Tsakos shipping group.

Today, he still works full-time from a penthouse in the group's Athens headquarters, overseeing container shipping and tanker operations. Tsakos Shipping and Trading (TST), its private arm, currently manages the group's 54-strong fleet.

Meanwhile, his son, Nikolas, a financial expert with degrees from Columbia University in New York and City University in London, is charting a new course for Tsakos Energy Navigation (TEN), a tanker operation which was listed last year on the New York stock exchange.

TEN is one of only a handful of international shipping companies listed in New York. Launched 10 years ago as a joint venture between Tsakos and a group of US-based investors, including George Soros, the company was initially floated in Oslo as the Maritime Investment Fund.

Mr Tsakos says the joint venture was set up to meet changing conditions in the shipping industry after the introduction in 1992 of the US oil pollution act. Tankers serving US ports faced stricter regulations, requiring double hulls and other environmental protection measures.

The more stringent regulations called for more modern tanker tonnage and a public offering provided easier financing for an already capital intensive industry.

The \$35m proceeds from the Norwegian IPO helped finance the acquisition of three products tankers and one crude oil carrier. TEN's fleet has since grown to 27 vessels, which are managed by TST.

The New York offering raised \$110m to help finance a building programme which will increase the fleet to 34 vessels by 2006. In the last five years TEN has invested \$1.2bn to build 25 double-hulled tankers, equipped with additional safety features to prevent accidental pollution.

"We're building ships today which our clients will need in the future," Mr Tsakos says.

The Tsakos family owns 27 per cent of TEN. The second-biggest investor is Fidelity Investments of the US with around 15 per cent, with other US and European institutional investors holding smaller stakes.

TEN reported a leap in second-quarter net income to \$18.7m from \$2.2m last year. "This reflected the
<http://financialtimes.printthis.clickability.com/pt/cpt?action=cpt&expire=&urlID=8230940&...> 11/28/2003

favourable charter market and the fortunate timing of the expansion of our fleet," Mr Tsakos says.

Tankers saw an unexpectedly high market earlier this year with international charter rates approaching record levels.

TEN took delivery in the first half of one tanker of 107,000 dwt and three of 68,400 dwt. At mid-year TEN had 18 vessels locked into time charters and eight operating in the spot market.

The combination of the two types of employment offers both security and an opportunity to take advantage of higher rates if the market improves.

The Tsakos group is also active in oil trading, and has interests in construction, IT and telecommunications. It controls a Montevideo-based shipyard as well as investments in forestry and farming in Uruguay.

However, Tsakos last month failed to acquire the loss-making Varna shipyard on Bulgaria's Black Sea coast, which was offered for sale under the government's privatisation programme.

The Varna yard would have provided an opportunity to carry out repairs for an increasing number of vessels trading in the Black Sea.

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